

Message Text

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ORIGIN EA-14

INFO OCT-01 ISO-00 EB-11 AGR-20 STR-08 TAR-02 L-03 CIAE-00

INR-10 NSAE-00 RSC-01 SS-20 NSC-10 COME-00 TRSE-00

OMB-01 CEA-02 SPC-03 PA-04 PRS-01 USIA-15 CIEP-02

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DRAFTED BY EA/ANP:HHLANGE:RLW

APPROVED BY EB/ORF:JKATZ

EA/ANP:LJMOSE

EB/OT/STA:EKEMPE

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R 170107Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

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E.O. 11652: N/A

TAGS:ETRD, AS

SUBJECT: AUSTRALIAN AIDE MEMOIRE ON ADDITIONAL
BUTTER AND BUTTER OIL IMPORTS

REF: STATE 215801

1. AUSTRALIAN COMMERCIAL MINISTER MICHAEL J. LONG ON
NOVEMBER 9 PRESENTED AIDE MEMOIRE ON SUBJECT OF ADDITI-
ONAL BUTTER AND BUTTER OIL IMPORTS TO DEP. ASST SECY FOR
INTERNATIONAL RESOURCES AND FOOD POLICY JULIUS L. KATZ.
FOLLOWING IS TEXT OF AIDE MEMOIRE: QUOTE:

THE EMBASSY OF AUSTRALIA PRESENTS ITS COMPLIMENTS TO THE
DEPARTMENT OF STATE AND WISHES TO CONVEY THE VIEWS OF THE
AUSTRALIAN GOVERNMENT ON THE TEMPORARY IMPORT QUOTAS FOR
BUTTER AND BUTTER OIL ANNOUNCED IN THE PRESIDENT'S
PROCLAMATION OF NOVEMBER 1, 1973.

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AUSTRALIA IS VERY DISAPPOINTED THAT THE IMPORT ARRANGE-
MENTS SPECIFIED IN THE PROCLAMATION VIRTUALLY EXCLUDE IT
FROM SHARING TO ANY EXTENT IN THE SUPPLY OF BUTTER OR
BUTTER OIL AGAINST THE TEMPORARY QUOTAS. AUSTRALIA

CONSIDERS THAT AS AN EFFICIENT PRODUCER AND A MAJOR EXPORTER OF BUTTER IT MIGHT REASONABLY HAVE EXPECTED TO RECEIVE A SPECIFIC AND SUBSTANTIAL ALLOCATION UNDER THE QUOTAS.

ALTHOUGH AUSTRALIA WAS INCLUDED IN THE 2.8 M. LB. "OTHER" COUNTRY ALLOCATION FOR BUTTER, THERE WAS LITTLE POSSIBILITY THAT IT COULD SUPPLY AGAINST THAT ALLOCATION BEFORE IT WAS FILLED BY OTHER COUNTRIES IN CLOSER GEOGRAPHICAL PROXIMITY TO THE UNITED STATES. AUSTRALIA SUFFERS THE SAME HANDICAP IN ATTEMPTING TO SUPPLY AGAINST THE FIRST-COME-FIRST-SERVED BUTTER OIL QUOTA OF 22.6 M. LB. ON TWO OCCASIONS DURING 1973 AUSTRALIA HAS REGISTERED WITH UNITED STATES AUTHORITIES ITS VIEWS ABOUT THE WAY IN WHICH FIRST-COME-FIRST-SERVED ARRANGEMENTS FOR DAIRY PRODUCT IMPORTS DISCRIMINATE AGAINST AUSTRALIA AS A SUPPLIER.

IN AUSTRALIA'S VIEW EXPORTERS SHOULD NOT BE REQUIRED TO UNDERTAKE THE FINANCIAL RISKS INVOLVED IN HOLDING QUANTITIES IN BOND IN THE UNITED STATES IN ANTICIPATION THAT INCREASED QUOTAS WILL BE GRANTED. YET ONLY IN THIS WAY CAN AUSTRALIAN EXPORTERS HOPE TO COMPETE WITH SUPPLIERS CLOSE TO THE UNITED STATES IF FIRST-COME-FIRST-SERVED ARRANGEMENTS CONTINUE.

WHILE NOT ABLE TO SHIP TO THE UNITED STATES AS QUICKLY AS THE NEARBY COUNTRIES, AUSTRALIA HAS BEEN IN A POSITION TO SUPPLY, IF PERMITTED, WITHIN THE DURATION OF THE VARIOUS TEMPORARY IMPORT QUOTAS FOR DAIRY PRODUCTS ESTABLISHED DURING 1973. FOR INSTANCE, IT COULD HAVE SUPPLIED A SUBSTANTIAL QUANTITY OF BUTTER BEFORE THE DECEMBER 31, 1973 CLOSING DATE FOR THE LATEST TEMPORARY QUOTAS.

AUSTRALIA IS CONCERNED THAT ALLOCATION OF THE TEMPORARY LIMITED OFFICIAL USE
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BUTTER QUOTA WAS BASED ON PERFORMANCE IN THE UNITED STATES MARKET UNDER EXISTING PERMANENT QUOTA ARRANGEMENTS WHICH REFLECT COUNTRY ALLOCATIONS ESTABLISHED IN 1953. IT SEEMS INAPPROPRIATE THAT ALLOCATION NOW OF A VERY MUCH LARGER IMPORT QUOTA SHOULD REFLECT A TRADING PATTERN WHICH IS SO REMOTE IN TIME.

AUSTRALIA CONSIDERS THAT THERE SHOULD BE SOME MORE EQUITABLE METHOD OF ALLOCATION, SPECIALLY GIVEN THE WHOLE HISTORY OF OUR NEGOTIATIONS ON DAIRY PRODUCTS IN THE POST-WAR PERIOD. IT WILL BE RECALLED THAT IN 1947 AUSTRALIA NEGOTIATED CERTAIN GATT CONCESSIONS IN RESPECT OF UNITED STATES BUTTER IMPORTS: THESE WERE SUBSEQUENTLY

NULLIFIED BY THE IMPOSITION OF A QUANTITATIVE RESTRICTION LIMITING TOTAL BUTTER IMPORTS TO 707,000 LB. ANNUALLY. IN AUSTRALIA'S VIEW THIS RECENT ACTION REPRESENTS A REPEATED NULLIFICATION OF THESE CONCESSIONS. AS POINTED OUT ON MANY OCCASIONS IN THE PAST, AUSTRALIA HAS

COOPERATED WITH THE UNITED STATES AUTHORITIES TO AVOID ANY DISRUPTION OF THE UNITED STATES DAIRY SUPPORT PROGRAM. WHILE THIS RESRAINT BY AUSTRALIA HAS BEEN RECOGNIZED BY THE UNITED STATES TARIFF COMMISSION, IT HAS, NEVERTHELESS, GENERALLY PROVED DISADVANTAGEOUS TO AUSTRALIA IN THE TREATMENT IT HAS RECEIVED FROM THE UNITED STATES GOVERNMENT IN THE ALLOCATION OF ANY ADDITIONAL DAIRY IMPORT QUOTAS.

IN CONSIDERING THE PRINCIPLES OF ALLOCATION, HISTORICAL PERFORMANCE, IS AN IMPORTANT CONSIDERATION IN ESTABLISHING COUNTRY ALLOCATIONS FOR ANY NEW OR INCREASED DAIRY QUOTAS (IF ONLY TO ENSURE THAT PRINCIPAL TRADITIONAL SUPPLIERS TO THE UNITED STATES MARKET ARE NOT DISADVANTAGED). HOWEVER, IT IS CONSIDERED THAT, GIVEN THE TOKEN SIZE OF ANNUAL DAIRY IMPORT QUOTAS IN THE PAST, OTHER FACTORS, PARTICULARLY THE RELATIVE POSITIONS OF SUPPLIERS IN TOTAL WORLD TRADE IN THE VARIOUS DAIRY PRODUCTS, SHOULD ALSO BE GIVEN DUE WEIGHT IN DETERMINING SPECIFIC COUNTRY ALLOCATIONS UNDER ANY NEW LIBERALISED ACCESS ARRANGEMENTS, WHETHER PERMANENT OR OF A TEMPORARY NATURE. THESE OTHER FACTORS WERE PRESUMABLY LIMITED OFFICIAL USE
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TAKEN INTO ACCOUNT IN THE ALLOCATION OF THE TEMPORARY QUOTA FOR NONFAT DRY MILK, ESTABLISHED ON AUGUST 28, 1973, WHICH RESULTED IN AUSTRALIA RECEIVING ONLY 25 PERCENT OF THE ALLOCATION AS AGAINST AN HISTORICAL PERFORMANCE UNDER THE REGULAR QUOTA OF OVER 70 PERCENT. THIS FOLLOWED THREE EARLIER TEMPORARY QUOTAS FOR NONFAT DRY MILK WHICH OPERATED ON A FIRST-COME-FIRST-SERVED BASIS WHICH RULED OUT THE SUPPLY OF ANY SIGNIFICANT QUANTITIES FROM AUSTRALIA. THE DIFFERENT APPROACHES TAKEN IN GREATLY ENLARGING THE VERY SMALL REGULAR QUOTAS FOR NONFAT DRY MILK AND FOR BUTTER HAVE WORKED TO AUSTRALIA'S DISADVANTAGE IN BOTH PRODUCTS.

AUSTRALIA IS PARTICULARLY CONCERNED AT THE IMPLICATION OF THESE RECENT ACTIONS FOR ANY POSSIBLE FUTURE MOVES TO LIBERALISE UNITED STATES IMPORT QUOTAS ON DAIRY PRODUCTS. IN THIS REGARD, IT IS UNDERSTOOD THAT CONSIDERATION IS AT PRESENT BEING GIVEN TO A FURTHER RELAXATION OF CHEESE IMPORT QUOTAS. CONSISTENT WITH ITS POSITION AS A LARGE EXPORTER OF CHEESE INCLUDING TO THE UNITED STATES IT IS CONSIDERED THAT AUSTRALIA SHOULD RECEIVE

A SUBSTANTIAL SHARE OF ANY ADDITIONAL INCREASES IN
CHEESE IMPORT QUOTAS.

THE EMBASSY OF AUSTRALIA TAKES THIS OPPORTUNITY TO
RENEW TO THE DEPARTMENT OF STATE THE ASSURANCES OF ITS
HIGHEST CONSIDERATION. END QUOTE

2. MR. KATZ POINTED OUT TO LONG THAT IT IS VIRTUALLY
IMPOSSIBLE TO SET ANY SORT OF TRADE QUOTA TO SATISFACTION
OF EVERYONE CONCERNED, BUT ASSURED LONG THAT GREAT DEAL
OF THOUGHT HAD GONE INTO NOV 1 INCREASE IN ALLOCATION.
MR. KATZ EXPLAINED CONSIDERATIONS WHICH DETERMINED
APPROACH FINALLY SELECTED: FIRST WAS PRINCIPLE OF
SPEED, SINCE MARKET CONDITIONS INDICATED IMMEDIATE
NEED FOR ADDITIONAL IMPORTS. BUT SECOND PRINCIPLE,
EQUITY, ARGUED AGAINST ALLOCATING BOTH BUTTER AND BUTTER
OIL ON FIRST-COME-FIRST-SERVED BASIS, SINCE THIS WOULD
HAVE HAD PROBABLE EFFECT OF GIVING MOST OF IMPORTS TO
EUROPE. ALLOCATION BASED ON PRESENT WORLD TRADE WAS
REJECTED, SINCE THIS WOULD HAVE AWARDED APPROXIMATELY 62
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PERCENT TO NEW ZEALAND, AND THERE WAS NO CERTAINTY NEW
ZEALAND COULD PROVIDE THIS MUCH, OR WITH SUFFICIENT SPEED
TO ACHIEVE DESIRED PRICE EFFECT. THE ONLY REMAINING
BASE, OTHER THAN PURELY ARBITRARY, WAS EXISTING PATTERN
ON WHICH REGULAR ANNUAL QUOTA HAS BEEN DETERMINED. THIS
WAS ULTIMATELY CHOSEN, IN SPITE OF DISTORTION CAUSED BY
SMALL BASE (PAR 7 REFTL) AND CHANGES IN WORLD MARKET
SINCE BASE YEAR (1953). MR. KATZ ASSURED LONG THAT
AUSTRALIA'S VIEWS ON SUBJECT WILL BE TAKEN INTO
CONSIDERATION, ALONG WITH ALL OTHER FACTORS, IN EVENT
OF ANY FUTURE INCREASES IN DAIRY PRODUCT IMPORT QUOTAS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 11 MAY 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DAIRY PRODUCTS, OILS, DIPLOMATIC NOTES, BUTTER, IMPORT QUOTAS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE227497
Document Source: ADS
Document Unique ID: 00
Drafter: EA/ANP:HHLANGE:RLW
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731167/abqcejww.tel
Line Count: 202
Locator: TEXT ON-LINE
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 215801
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 17 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17-Oct-2001 by kelleyw0>; APPROVED <06 MAR 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: AUSTRALIAN AIDE MEMOIRE ON ADDITIONAL US BUTTER AND BUTTER OIL IMPORTS
TAGS: ETRD, AS, US
To: CANBERRA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005